

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Conference on RTO Interregional Coordination

Docket No. PL01-5-000

**SUPPLEMENTAL STATEMENT OF ROBERT B. NELSON, COMMISSIONER,
MICHIGAN PUBLIC SERVICE COMMISSION ON BEHALF OF THE STATE OF
MICHIGAN, MICHIGAN PUBLIC SERVICE COMMISSION, ILLINOIS COMMERCE
COMMISSION, IOWA PUBLIC UTILITIES BOARD, OHIO PUBLIC UTILITIES
COMMISSION, PENNSYLVANIA PUBLIC UTILITY COMMISSION,
INDIANA UTILITY REGULATORY COMMISSION
AND THE VIRGINIA STATE CORPORATION COMMISSION**

During the Commission's June 19, 2001 public conference in the above proceeding several panelists discussed the possible value of employing a Gas Industry Standards Board (GISB) model to promote the development of industry standards that would facilitate seamless markets. Commissioner Robert B. Nelson of the Michigan Public Service Commission participated in the conference and entered a statement on Michigan's behalf, but did not address the GISB issue. Commissioner Nelson also referenced a protest that had been filed by Michigan and seven other state commissions (collectively "State Commissions") in Docket No. RT01-88, regarding the Order No. 2000 compliance filing by the Alliance Companies. The Commission requested Commissioner Nelson to canvass these state commissions and to supplement the record with a statement of their position on the GISB issue. Pursuant to the Commission's request, Commissioner Nelson hereby supplements his previously-submitted remarks. The State Commissions¹ concur in this supplemental statement.

¹ The Missouri Public Service Commission, one of the signatories to the joint State Commission protest in Docket No. RT01-88, has not completed the process for review of this statement, but may file supplemental statements later this week.

SUPPLEMENTAL STATEMENT OF COMMISSIONER NELSON

Without endorsing any particular model, the State Commissions do support the concept of a national standards-setting body to facilitate interregional coordination among RTOs, where such a body (1) would eliminate duplication of effort in standard setting among multiple organizations, (2) would provide a forum for stakeholder participation by all segments of the electric industry and in which no industry segment could exercise control, and (3) would *advise* the Commission, but not *supplant* its decisionmaking role. Let me explain further.

GISB describes its role “as an industry forum for the development and promotion of standards which will lead to a seamless marketplace for natural gas, as recognized by its customers, business community, participants, and regulatory entities.” GISB Home Page, <http://www.gisb.org/frameset.htm>.

The State Commissions understand that GISB’s primary role, in this respect, is to facilitate transactions across pipeline boundaries by standardizing business terms and practices. This role, although limited, is valuable and the electric industry, too, would benefit significantly even if the sole function of a standard setting board was to create a common set of industry definitions to be applied in contracts and tariffs.

The State Commissions see merit in an organization that would strive, not only to create a common transactions language, but common protocols for scheduling across RTO boundaries, common methods for calculating available transmission capacity and rules that facilitate one-stop shopping. There may well be other areas where a national standards board could streamline processes, reduce transaction costs and address other seams issues. In supporting the concept of a GISB-type organization, however, I want to be clear that the State Commissions do not endorse any specific model for implementation.

The benefits of such an organization, moreover, would be diminished if it simply duplicated the efforts of other organizations. Accordingly, the State Commissions urge that the Commission not take steps to create a new entity without also taking steps to encourage consolidation of standard-setting efforts into a single body.

A critically important feature of the GISB organization, as the State Commissions understand it, is that it is structured to represent a cross-section of industry participants and employs governance rules that prevent any one industry segment from dominating the process. A standard-setting organization that would earn the State Commissions' support must protect the stakeholder process – a concern we also have with properly-functioning RTOs. While we do not comment upon the specific GISB stakeholder process, an electric industry standards board should, at a minimum, include representatives from the generating, marketing, transmission, end user, distribution and consumer advocate and governmental sectors at all levels of the organization and controls to limit the power of any group in the decisionmaking process.

Last, there are inherent limitations in what a GISB-type board can accomplish. In endorsing the concept of an industry standards board, the State Commissions emphasize that an *advisory* board cannot replace the Commission's critical *decisionmaking* role and that a *standards* organization cannot replace the Commission's critical role in determining *market structure*. In many instances, broad stakeholder groups become a recipe for stalemate and delay precisely because they are designed to diffuse decisionmaking power. For example, the interests of generators, particularly if they are affiliated with transmission owners, will differ sharply from end users over the market mitigation powers a market monitor should be given and compromise may not be possible or may produce a poor public result. When that is

the case, the Commission must step in promptly to take the actions necessary to preserve public confidence in the competitive electric markets it is attempting to foster. In other words, an industry standards board can be an effective way to implement and facilitate Order No. 2000's shift in the organization of wholesale electric markets if the Commission can create, through firm and vigorous regulatory actions, the guidelines within which the industry must operate. Once those guidelines are understood, the industry is more likely itself to see a compelling need to adopt industrywide standards.

Robert B. Nelson, Commissioner
Michigan Public Service Commission

June 25, 2001